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Governor

# Alabama Medicaid Agency

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MICHAEL E. LEWIS  
Commissioner

September 7, 2000

## PROVIDER NOTICE 00-11

**TO:** Nursing Facility Providers

**SUBJECT:** Professional Liability Insurance Premiums

Under the provisions of Rule 560-X-22-.06(5) of the Alabama Administrative Code, effective July 1, 2000, the Alabama Medicaid Agency will make certain allowances, described below, to recognize the drastic increases in professional liability insurance premiums incurred by nursing facilities. These allowances are:

1. There will be a pass through of professional liability insurance premiums, to include the portion of umbrella coverage related to the professional liability, not to exceed \$1,500 per bed.
2. Any portion of the professional liability insurance premium that exceeds the \$1,500 limit will be subject to the operating cost center ceiling. Any portion of the umbrella coverage that exceeds the \$1,500 limit will be recognized as a property insurance cost.
3. Premiums must be broken down between professional liability and general liability to make the proper proration of umbrella insurance premiums. Proof of insurance is limited to copies of appropriate pages of the policies and the initial invoices for all coverage. Payment schedules will not be accepted. In the case of a self-insured facility, appropriate documentation will be accepted. If a premium is not broken down between professional liability and general liability, Medicaid will assume that 85% of such premium is attributable to professional liability.

Adjustments to per diems will be made as follows:

1. The adjustment period begins July 1, 1999, and ends June 30, 2001. During this period, facilities will be eligible for an adjustment beginning with the first renewal date after June 30, 1999. If your policy is renewed between June 30, 2000, and June 30, 2001, the same information listed in 3 above must be submitted.
2. Facilities must furnish proof of premium paid and coverage period to be eligible for this adjustment. If proof is not shown as outlined in 3 above, no adjustment will be made. Proof must be sent to the Provider Audit/Reimbursement Division, Alabama Medicaid Agency.
3. When proof is furnished, the following procedures will be accomplished:
  - a. Premium per bed (professional liability and pro rata share of umbrella) will be computed to determine if all or only a portion of the premium will be used for the adjustment.
  - b. The portion of the premium allowed will be multiplied by the number of beds in the facility. That product will be divided by the last annual reported patient days to determine a cost per day. (In the event of a new facility or less than a full year's census, an amount equal to 85% possible annual occupancy will be used.)
  - c. The final result of that computation will be added to the existing per diem.
  - d. That same result will be multiplied by the number of Medicaid days paid for dates of service from the renewal date of the policy or July 1, 2000, whichever is later, through the most recent provider payroll. That amount will be paid in a lump sum to the provider.

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Michael E. Lewis, Commissioner

Any questions related to this notice may be referred to Provider Audit/Reimbursement Division at 334-242-2313.

Distribution: Medicaid Staff  
Alabama Nursing Home Association  
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\* AVRS - 1-800-727-7848 \*  
\* MEDICAID FRAUD HOTLINE - 1-800-824-6584 \*  
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